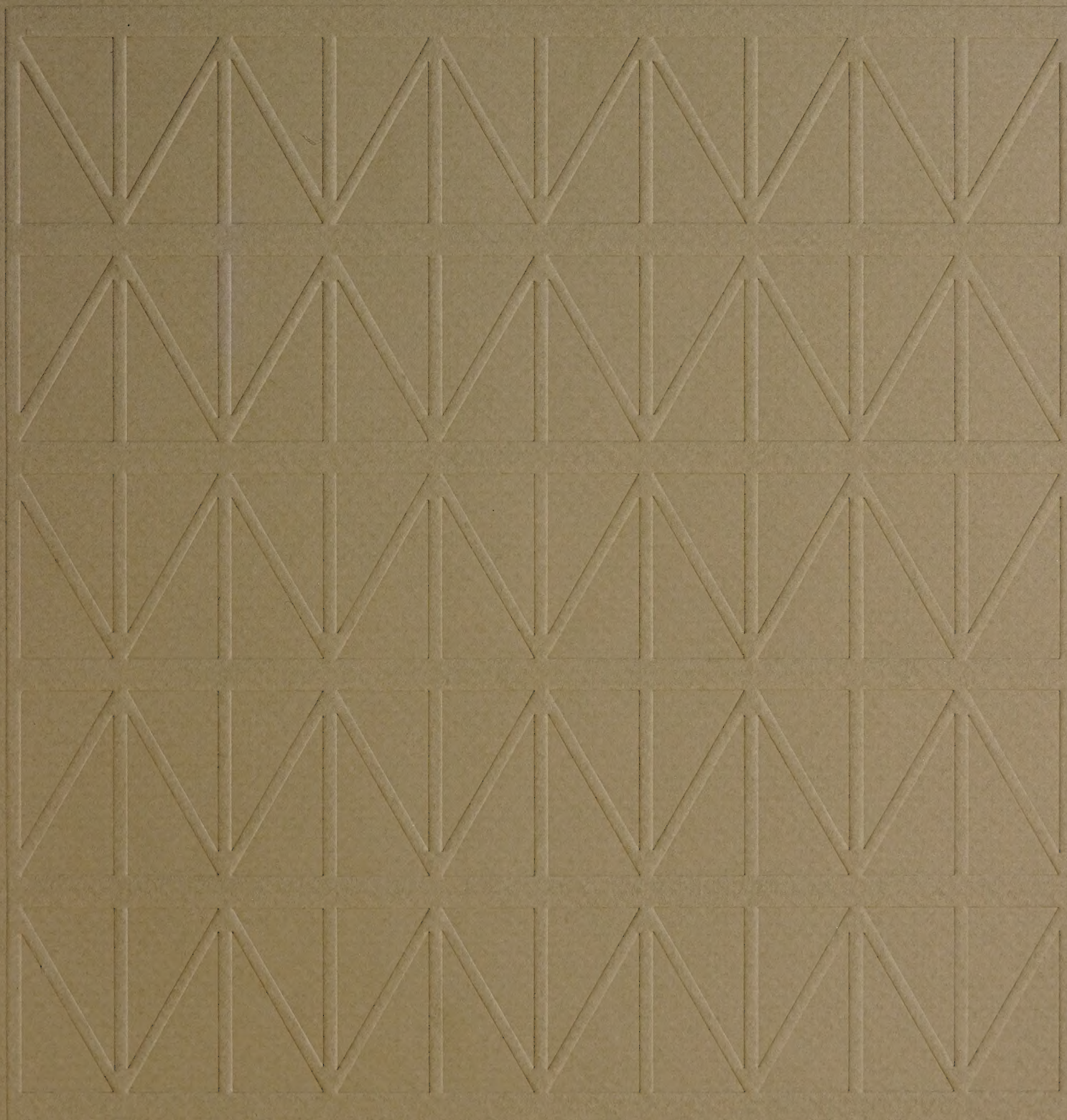


Great West Steel
Industries Ltd.

1978 Annual Report



The Company its Products and Services

GREAT WEST STEEL INDUSTRIES LTD. is a Canadian owned manufacturing, engineering and crane rental company providing goods and services primarily to the construction industries of Western Canada and the U.S.A. Pacific Northwest.

The manufacturing plants at New Westminster, Edmonton, Calgary and Saskatoon design, engineer, manufacture and install open web steel joists, structural steel, steel plate work, miscellaneous iron work and industrial steel work. An engineering sales office in the Seattle area serves the Pacific Northwest.

The crane service division owns a large fleet

of mobile cranes operating from bases at Edmonton, Calgary and Vancouver. The division provides crane service and crane rentals, steel, wood and concrete erection and installation, dock work, pile driving and plant maintenance service.

A coal test plant and laboratory at Calgary washes and analyzes bulk and core coal samples for the mining industry.

The U.K. based engineering affiliate designs and constructs coal preparation plants, materials handling systems, bulk sampling systems and minerals processing equipment.

in thousands of dollars except as indicated

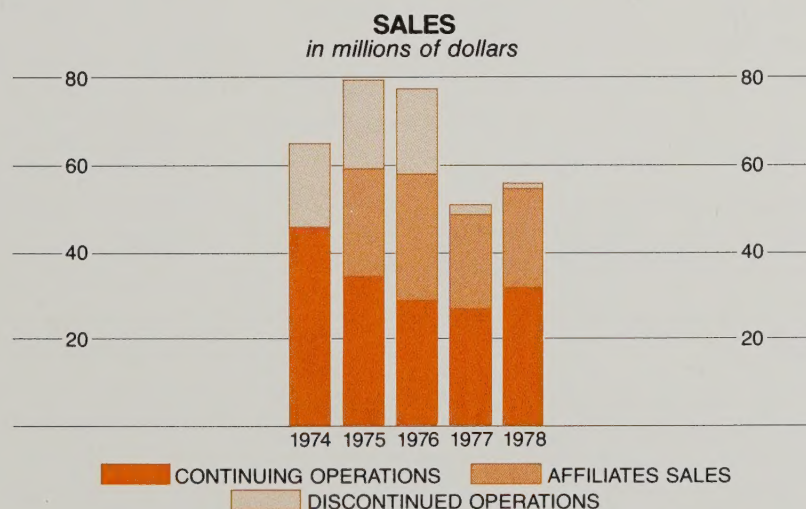
	1978	1977
	\$	\$
NET WORKING CAPITAL	2,824	2,295
NET FIXED ASSETS	7,035	5,001
OTHER ASSETS	6,987	8,714
TOTAL NET ASSETS	<u>16,846</u>	<u>16,010</u>
REPRESENTED BY:		
Funded Debt	11,389	11,462
Shareholders' Equity	<u>5,457</u>	<u>4,548</u>
	<u>16,846</u>	<u>16,010</u>
CAPITAL EXPENDITURES ON FIXED ASSETS	2,710	379
TOTAL PAYROLL AND BENEFITS*	12,742	10,857
NUMBER OF EMPLOYEES AT YEAR END*	589	417
SALES	32,320	28,600
EARNINGS (LOSS) FROM CONTINUING OPERATIONS††	260	(462)
EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS††	(409)	(2,344)
EARNINGS (LOSS)		
Before Extraordinary Items	(149)	(2,806)
After Extraordinary Items	908	(3,617)
EARNINGS (LOSS) AS % OF SALES		
Before Extraordinary Items	(0.5%)	(9.8%)
After Extraordinary Items	2.8%	(12.6%)
EARNINGS (LOSS) PER SHARE**		
Before Extraordinary Items	(8¢)	(\$1.47)
After Extraordinary Items	48¢	(\$1.90)
CASH FLOW PER SHARE**		
Before Extraordinary Items	16¢	(66¢)
After Extraordinary Items	28¢	(\$1.09)

The Year in Brief

††After applicable Income Taxes

*Excluding employees of affiliated companies

**Based on 1,902,495 Common Shares outstanding at December 31, 1978



Corporate History

1965 Edmonton operation commenced to design, fabricate and erect steel joists and structural steel.

1966 Calgary plant acquired to produce fabricated structural steel and air fin heat exchangers.

Saskatoon plant established to manufacture steel joists and fabricate structural steel.

1969 New Westminster plant opened to produce steel joists and fabricate structural steel.

1970 Great West Steel Industries Ltd. became a public company.

1971 Atlas Construction & Crane Service acquired, with operations at Edmonton and Calgary.

Calgary coal wash plant and laboratories established, now known as Birtley Coal and Minerals Testing.

Birtley Engineering Ltd., U.K. was purchased with facilities in Chesterfield, England and Glasgow, Scotland.

Toronto steel joist manufacturing facilities were purchased from Anthes Steel Products Ltd.

1972 Seattle sales and engineering office was opened.

Wallclad Products Ltd. was acquired to produce and install steel faced sandwich wall panels.

International Brick & Tile was purchased with the intent to produce ceramic bricks and tile from fly ash.

Taskmaster Division was started to develop computerized engineering data.

Birtley Engineering Corporation opened offices in Salt Lake City.

1973 Great West Steel Industries Inc. was established in Fontana, California to produce steel joists and structural steel.

Pine Pass Development Ltd. became involved in a coal exploration program under an agreement with Pan Ocean Oil Ltd.

Bimac Engineering & Chemicals Limited, U.K. was formed to produce and market consumable foundry products for the steel industry.

Bimac Division was established in Detroit, Michigan.

1974 Dycore Division of Wallclad was started in North Vancouver for the production of hollow core concrete slabs for the construction industry.

1975 Super Crane & Rigging Ltd. acquired to provide crane rental services in B.C.

Acquired 50% of Associated Engineering Services Ltd., a major consulting engineering company in Western Canada.

Acquired 50% of GWS Krupp Industries Ltd., Edmonton and sold it the Great West Steel Edmonton plant.

Great West Steel acquired 50% of GWS and Shell Ltd., which in turn acquired Birtley Engineering Ltd. (U.K.) from Great West Steel.

Great West Steel entered a joint venture with Rashid Construction in the United Arab Emirates.

1976 In May, Hugh A. Magee was elected President following major changes in the Board of Directors.

Fontana, California steel fabricating and joist plant closed.

Taskmaster Division sold.

Wallclad metal panel plant sold.

Great West Steel withdrew from active participation in Abu Dhabi hotel project.

Closed Toronto steel operations.

Sold assets of Bimac Chemicals.

Reached agreement to sell 50% interest in Associated Engineering Services Ltd.

1977 Sold the U.S. operations of Birtley Engineering Corp., Salt Lake City.

Pine Pass Development Ltd. coal exploration program abandoned.

Raised \$5 million preferred share equity.

1978 Sold the 50% interest in GWS Krupp Industries Ltd. and purchased joist operations from the former affiliate.

Commenced construction of a new joist and structural steel fabricating plant at Edmonton.

Sold the inadequate Atlas Construction and Crane Service property at Edmonton and commenced construction of larger offices and a crane service centre.

Decided to dispose of Strescore plant (formerly Dycore Division) at North Vancouver. Assets subsequently sold.

Completed corporate reorganization program.

1978 was a year of significant progress for Great West Steel. In spite of high interest rates and several major construction industry strikes in the Prairie region, all of our operations showed measureable improvement. After a loss in the first quarter of 1978, operating results were progressively positive throughout the year.

1978 earnings from continuing operations were \$523,000 before income taxes on sales of \$31 million compared to a loss of \$426,000 in 1977 on sales of \$27 million. In addition, an extraordinary gain of \$1,057,000 was realized in 1978 primarily from the disposition of real estate. In comparison 1977 results showed an extraordinary loss of \$811,000.

In July, 1978 the Company negotiated the sale of its 50% interest in GWS Krupp Industries Ltd., Edmonton to Fried. Krupp Industrie- und Stahlbau of Germany and, in turn, purchased the Edmonton joist operation of this former affiliate. Construction of the Company's new joist and structural steel fabricating plant in Edmonton was completed in April, 1979.

The Atlas Construction & Crane Service property in Edmonton was sold in September, 1978 and development of a new office and crane service centre was initiated. This new facility came into service in the Spring of 1979.

During 1978, the Company completed its corporate reorganization program which consisted of the winding up of a number of subsidiaries. All Canadian operations now function as divisions of the Parent Company.

The demand for structural steel in Western Canada strengthened in 1978 and backlogs at all of our fabricating plants improved substantially. The Crane Division performed well in spite of serious strikes in the Alberta and Saskatchewan construction industry. Renewed interest in coal and minerals exploration resulted in increased activity at the Coal Testing Division in Calgary.

Our involvement in discontinued operations was greatly reduced in 1978. The most significant factor remaining is the program to collect \$5.4 million in the Middle East. To date, our efforts have not been successful due to the financial instability of our Arab Partner. Our collection efforts are continuing.

Our immediate challenges for 1979 are to steadily improve the performance of our existing operations. While the construction market in Western Canada and the U.S.A. Pacific Northwest is expected to be moderately strong,

the shortage of Canadian steel coinciding with the high cost of imported steel will make our job more difficult. The higher prices of imported material and the resultant higher costs of construction will be a disadvantage to the Canadian economy. Recent announcements of major capital expansions by Canadian steel producers is welcome news.

As Washington and Oregon are expected to be prosperous for at least 5 years due to the high levels of activity in the aircraft industry, we plan to further strengthen our U.S. operations in Seattle.

Our Crane Service Division continues to grow and we see opportunities for expansion and diversification. We have many unexploited areas of specialized expertise in heavy duty moving, construction and erection. The future for this division is very promising.

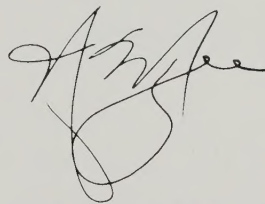
The Coal Testing Division anticipates high levels of activity in 1979. This operating unit has unique technical capabilities and the opportunities to expand into other related areas of activity will be explored.

The heavy losses of 1976 and 1977 are now behind us and we must continue to address ourselves to rebuilding our equity box. In this we will be assisted by our major tax loss as the utilization of this important "asset" is a major factor in our strategy.

All in all, we are satisfied with our progress in 1978.

Our major source of strength continues to be our people. Their skill and enthusiasm in rebuilding the Company bodes well for the opportunities which lie ahead. Our confidence in the future is well founded.

On Behalf of the Board of Directors



HUGH A. MAGEE
*Chairman & Chief Executive
Officer*

May 9, 1979.
Vancouver, B.C.,

Report to the Shareholders

CONSOLIDATED STATEMENT OF

**Earnings and
Deficit**

GREAT WEST STEEL INDUSTRIES LTD.
AND SUBSIDIARIES
for the year ended December 31, 1978

	1978 \$	1977 \$
SALES		
Continuing Operations	31,337,728	26,507,997
Discontinued Operations	<u>981,858</u>	<u>2,091,885</u>
	<u>32,319,586</u>	<u>28,599,882</u>
EARNINGS (LOSS) FROM CONTINUING OPERATIONS	522,562	(426,063)
Provision for Income Taxes	<u>262,229</u>	<u>35,670</u>
	260,333	(461,733)
(LOSS) FROM DISCONTINUED OPERATIONS (Note 1)	<u>(409,533)</u>	<u>(2,343,844)</u>
(LOSS) BEFORE EXTRAORDINARY ITEMS	<u>(149,200)</u>	<u>(2,805,577)</u>
EXTRAORDINARY ITEMS (Note 7)	<u>1,057,508</u>	<u>(810,760)</u>
EARNINGS (LOSS) FOR THE YEAR (Note 9)	908,308	(3,616,337)
(DEFICIT) — BEGINNING OF YEAR	<u>(5,977,780)</u>	<u>(2,361,443)</u>
(DEFICIT) — END OF YEAR	<u>(5,069,472)</u>	<u>(5,977,780)</u>

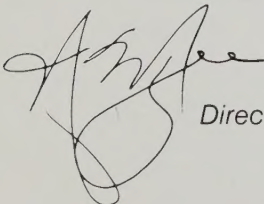
Assets	1978 \$	1977 \$
CURRENT		
Accounts Receivable	7,399,813	5,631,534
Inventories (Note 3)	4,887,783	3,260,034
Prepaid Expenses	182,256	224,886
Current Assets Held for Realization in Excess of Current Liabilities (Note 1)		<u>2,189,646</u>
	<u>12,469,852</u>	<u>11,306,100</u>
NET ASSETS OF DISCONTINUED OPERATIONS HELD FOR REALIZATION (Note 1)	5,870,626	5,813,441
INVESTMENTS (Note 2)	775,491	2,511,339
FIXED ASSETS (Note 4)	7,035,027	5,001,180
DEFERRED FINANCING EXPENSES, net of amortization	236,254	276,371
OTHER ASSETS	<u>104,416</u>	<u>113,416</u>
	<u><u>26,491,666</u></u>	<u><u>25,021,847</u></u>
Liabilities		
CURRENT		
Bank Advances (Notes 1 and 5)	4,118,842	5,729,033
Accounts Payable and Accruals	5,074,106	3,097,243
Current Portion of Long Term Debt (Note 5)	172,798	184,943
Current Liabilities in Excess of Current Assets Held for Realization (Note 1)		<u>280,222</u>
	<u>9,645,968</u>	<u>9,011,219</u>
TERM BANK ADVANCES (Notes 1 and 5)	6,000,000	5,813,441
LONG TERM DEBT (Note 5)	<u>5,389,186</u>	<u>5,648,983</u>
	<u><u>21,035,154</u></u>	<u><u>20,473,643</u></u>
Shareholders' Equity		
CAPITAL STOCK (Note 6)	10,525,984	10,525,984
(DEFICIT)	<u>(5,069,472)</u>	<u>(5,977,780)</u>
	<u><u>5,456,512</u></u>	<u><u>4,548,204</u></u>
	<u><u>26,491,666</u></u>	<u><u>25,021,847</u></u>

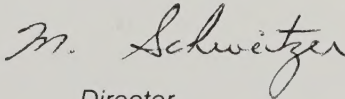
CONSOLIDATED

Balance Sheet

GREAT WEST STEEL INDUSTRIES LTD.
AND SUBSIDIARIES
as at December 31, 1978

Approved by the Directors


Director


Director

The accompanying notes to consolidated financial statements are an integral part of this statement.

CONSOLIDATED STATEMENT OF
**Changes in
Financial Position**
GREAT WEST STEEL INDUSTRIES LTD.
AND SUBSIDIARIES
for the year ended December 31, 1978

	1978 \$	1977 \$
SOURCE OF WORKING CAPITAL		
Continuing Operations	737,229	(43,592)
Sale of Fixed Assets	1,190,238	97,426
Bank Advances	186,559	570,871
Sale of Assets of Discontinued Operations	122,676	3,023,186
Sale of Other Assets	9,000	9,000
Sale of Investment	1,800,000	
Capital Stock		5,000,000
Dividends from Investments		82,625
	<u>4,045,702</u>	<u>8,739,516</u>
USE OF WORKING CAPITAL		
Discontinued Operations	302,865	1,216,195
Fixed Asset Additions	2,709,788	379,421
Long Term Debt Retired	226,183	260,675
Payments Relating to Discontinued Operations in the United Arab Emirates (Note 1)	35,000	3,437,299
Payments Relating to Other Discontinued Operations	10,000	1,170,195
Reclassification of Assets of Discontinued Operations	209,197	
Other Extraordinary Items	23,666	
Other Asset Additions		45,000
Exploration and Testing Costs on Coal Properties		33,992
	<u>3,516,699</u>	<u>6,542,777</u>
INCREASE IN WORKING CAPITAL	529,003	2,196,739
WORKING CAPITAL — BEGINNING OF YEAR	<u>2,294,881</u>	<u>98,142</u>
WORKING CAPITAL — END OF YEAR	<u>2,823,884</u>	<u>2,294,881</u>

NOTE 1. DISCONTINUED OPERATIONS

During the year the Company continued its program of disposing of certain of its operations that were either historically unprofitable or inconsistent with future plans. Net assets of these discontinued operations held for realization are shown separately on the Balance Sheet and include:

	1978 \$	1977 \$
Accounts Receivable	1,570,807	4,033,839
Account Receivable — United Arab Emirates	5,346,409	5,408,764
Inventories	188,581	4,662
Fixed and Other	94,987	386,423
	<u>7,200,784</u>	<u>9,833,688</u>
Less related liabilities and provisions for expenses and losses	<u>1,610,380</u>	<u>1,830,601</u>
Net assets of discon- tinued operations held for realization	<u>5,590,404</u>	<u>8,003,087</u>
Comprised of:		
Current	(280,222)	2,189,646
Non-Current	<u>5,870,626</u>	<u>5,813,441</u>
	<u>5,590,404</u>	<u>8,003,087</u>

The assets held for realization are recorded at estimated realizable values except for the account receivable — United Arab Emirates of \$5,346,409 (1977 — \$5,408,764). The Company has received court judgements in the United Arab Emirates establishing its claim for this amount, but the collectibility of this account cannot be determined at this time. Accordingly, this account is carried at the original amount while collection efforts continue.

Under an agreement reached with the Company's bankers, proceeds from disposal of Net Assets of Discontinued Operations Held for Realization are to be applied against the term bank advances (Note 5).

Full provision has been made for estimated losses and expenses anticipated during the realization period for operations which have been discontinued.

The 1978 loss from discontinued operations totalling \$409,533 consists of operating losses of \$175,315, provisions for expenses and losses during the realization period and write-downs of assets to estimated net realizable values

totalling \$599,276 net of related income taxes of \$365,058. The 1977 loss from continuing operations includes losses of \$77,107 relating to a division which was discontinued in 1978.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES AND PRINCIPLES

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries. During the year several subsidiaries were liquidated and their assets were transferred to the Parent Company.

Investments

The Company's investment in its 50% owned affiliate is recorded on the cost basis because the Company is not in a position to exert a significant influence over the affiliate's operations and financial affairs. Cost is based on the original purchase price of the shares together with the accumulated equity in earnings, for the period from acquisition to December 31, 1976.

Translation of Foreign Currencies

Foreign currencies have been translated into Canadian currency at rates of exchange in effect at the year end, except that fixed assets have been translated at the rates in effect at the dates of acquisition and operating results at the average rates during the year. The resulting gains or losses are reflected in earnings (loss) for the year.

Recording of Income

Profits on contracts are recorded on the basis of estimates of percentage of completion on individual contracts, commencing when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy.

If contracts extend over one or more fiscal years, revisions in cost and profit estimates during the course of the work are reflected in the accounting period when the facts which require the revisions become known.

At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is accrued.

Notes

TO CONSOLIDATED
FINANCIAL STATEMENTS
for the year ended December 31, 1978

Notes
TO CONSOLIDATED
FINANCIAL STATEMENTS
(Cont.)

Inventory Valuation

Raw materials and supplies are recorded at the lower of average cost and net realizable value. Work-in-progress represents costs and estimated earnings in excess of billings.

Depreciation

Depreciation is calculated to reduce the original cost of fixed assets to estimated residual values on a straight-line basis at the following rates:

Buildings	2% to 7%
Equipment	5% to 20%

Deferred Financing Expenses

Expenses of obtaining long term financing and conditional sales contracts are deferred and amortized over the term of the financing.

NOTE 3. INVENTORIES

	1978	1977
	\$	\$
Raw Materials and Supplies	3,383,398	2,038,737
Work-in-Progress	1,504,385	1,221,297
	<u>4,887,783</u>	<u>3,260,034</u>

NOTE 4. FIXED ASSETS

	1978		1977	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	1,603,914		1,603,914	200,022
Buildings	2,306,891	322,644	1,984,247	1,357,836
Equipment	6,512,086	3,065,220	3,446,866	3,443,322
	<u>10,422,891</u>	<u>3,387,864</u>	<u>7,035,027</u>	<u>5,001,180</u>

NOTE 5. FINANCING

Bank Advances

All bank advances are secured by an assignment of accounts receivable and inventories, mortgages on certain equipment and real property and floating charges on assets.

Term Bank Advances

Term bank advances attributable to Net Assets of Discontinued Operations Held for Realization have no specified repayment dates (see Note 1) and are as follows:

	1978 \$	1977 \$		1978 \$	1977 \$
Term bank advances, without specified repayment dates	3,515,000	3,515,000	Issued and fully paid — 50,000 preference shares	5,000,000	5,000,000
Other deferred bank loans	2,485,000	2,298,441	— 1,902,495 common shares	5,525,984	5,525,984
	<u>6,000,000</u>	<u>5,813,441</u>		<u>10,525,984</u>	<u>10,525,984</u>

Long Term Debt

	1978 \$	1977 \$
1972 Series 8½% Sinking Fund Debentures due June 15, 1992	5,363,000	5,484,000
Other term loans with interest at varying rates, secured by charges on specific assets, repayable in varying annual install- ments by 1982	198,984	349,926
	5,561,984	5,833,926
Less: Current Portion	172,798	184,943
	<u>5,389,186</u>	<u>5,648,983</u>

At the Company's option, redemption for other than sinking fund purposes of any part of the debentures may take place at a premium of 5½% in 1979, decreasing by ½% per annum to 1990.

Payments required in the next five years to meet long term debt installments, including sinking fund payments, are:

	\$
1979	172,798
1980	231,572
1981	157,815
1982	150,000
1983	<u>250,000</u>
	<u>962,185</u>

NOTE 6. CAPITAL STOCK AND DIVIDENDS

Authorized — 50,000 cumulative, non voting, redeemable 7.75% preference shares with a par value of \$100 each

— 5,000,000 common shares, without nominal or par value

Dividends on the preference shares accrue from January 1, 1979. The preference shares are redeemable June 30, 1992 at a premium of 8%. The Company has the option of redeeming at par at any time prior to March 31, 1982 and at a premium of 1%, increasing 1% per annum after that date, up to and including 1989.

At December 31, 1978 there were 315,000 common share purchase warrants outstanding entitling the holders to purchase common shares at a price of \$9.74 per share, on or before June 15, 1982.

The financing agreements and preferred share issue contain provisions which restrict the Company from declaring common share dividends under certain conditions.

NOTE 7. EXTRAORDINARY ITEMS

	1978 \$	1977 \$
Gain on sale of fixed assets net of income taxes of \$221,000	796,035	
Reduction of income taxes on application of prior period losses	136,537	
Additional net proceeds arising on a prior year's sale of investment net of income taxes of \$26,000	84,141	
Gain on sale of investment net of income taxes of \$13,000	40,795	
Write-off of exploration and testing costs on coal properties		(810,760)
	<u>1,057,508</u>	<u>(810,760)</u>

Notes

TO CONSOLIDATED
FINANCIAL STATEMENTS
(Cont.)

**NOTE 8. INCOME TAXES AND TAX LOSSES
CARRIED FORWARD**

The Company has approximately \$8,900,000 of income tax losses expiring at various dates up to 1984 available to reduce future income for tax purposes. In addition, the Company has available for reduction of future taxable incomes \$3,400,000 of allowances and other deductions with no expiry date.

NOTE 9. EARNINGS (LOSS) PER SHARE

	1978 \$	1977 \$
Earnings (Loss) before extraordinary items:		
Continuing operations	.14	(.24)
Discontinued operations	<u>(.22)</u>	<u>(1.23)</u>
	<u>(.08)</u>	<u>(1.47)</u>
Extraordinary items	<u>.56</u>	<u>(.43)</u>
Earnings (Loss) per share	<u>.48</u>	<u>(1.90)</u>

The exercise of the warrants has no significant dilutive affect on the earnings per share.

NOTE 10. OTHER INFORMATION

- Remuneration of directors and senior officers amounted to \$441,892 (1977 — \$488,275 including salaries and severance allowances of \$94,948 paid to senior executives no longer employed by the Company).
- Selling, general and administrative expenses for the year amounted to \$4,068,000 (1977 — \$4,394,000).
- Other statutory information is as follows:

	1978 \$	1977 \$
Depreciation	459,559	451,302
Interest on long term debt	473,506	494,562
Other interest	322,226	295,185

**NOTE 11. COMMITMENTS AND CONTINGENT
LIABILITIES**

The Company has long term lease commitments requiring average annual payments of approximately \$800,000 in each of the next five years.

Guarantees totalling \$362,000 have been given to the banker of the Company's 50% owned affiliate.

The estimated cost of completing capital projects under construction as at December 31, 1978 is approximately \$2,565,000. Financing for this commitment has been arranged.

Actions claiming \$6,750,000 were commenced against six defendants including the Company for the loss of use and repair and reconstruction of a building following a roof collapse in January, 1977. The Company disclaims any liability and no provision has been made in the financial statements.

Unrelated other actions for approximately \$500,000 have been instituted against the Company. Counter claims have been issued in excess of this amount and the Company also has related indemnity from third parties covering a major portion of the amounts claimed.

NOTE 12. ANTI-INFLATION LEGISLATION

The Company was subject to restraint of profit margins, prices, dividends and compensation under the terms of the Anti-Inflation Act and Regulations. The Company complied with the legislation in all material respects.

**NOTE 13. PRIOR PERIOD FINANCIAL
STATEMENTS**

The December 31, 1977 financial statements which are presented for comparative purposes were examined and reported on by Coopers & Lybrand, Chartered Accountants.

The opinion on such statements was qualified because of uncertainties with respect to the estimated net realizable values of the assets of discontinued operations and the estimated expenses and provision for losses of discontinued operations during the realization period.

TO THE SHAREHOLDERS OF GREAT WEST STEEL INDUSTRIES LTD.

We have examined the consolidated balance sheet of Great West Steel Industries Ltd. (a British Columbia Company) and Subsidiaries as at December 31, 1978, and the related consolidated statements of earnings, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

As described more fully in Note 1 to the consolidated financial statements, the Company continued to liquidate the assets of discontinued operations. These assets are carried in the financial statements at their estimated net realizable values and provisions have been made for the estimated expenses and losses expected to be incurred during the realization period. The ultimate net realizable values, actual expenses and losses cannot yet be determined

with certainty as they depend upon future events and other factors which are presently indeterminable.

In our opinion, subject to the effect of the outcome of the matters referred to in the preceding paragraph, the accompanying consolidated financial statements present fairly the financial position of Great West Steel Industries Ltd. and Subsidiaries as at December 31, 1978, and the results of their operations and changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*ARTHUR ANDERSEN & CO.
Chartered Accountants*

*March 12, 1979
Vancouver, B.C.*

Auditors' Report

Historical Review

<i>In thousands of dollars except as indicated</i>	1978	1977	1976	1975	1974
FINANCIAL POSITION AT YEAR END					
Net Working Capital†	\$ 2,824	2,295	98	7,452	8,861
Net Fixed Assets	7,035	5,001	5,241	10,285	11,020
Other Assets	6,987	8,714	9,018	3,312	606
Funded Debt	11,389	11,462	11,192	9,849	8,551
Deferred Income Taxes	—	—	—	3,449	3,811
Shareholders' Equity	5,457	4,548	3,165	7,751	8,125
CAPITAL EXPENDITURES ON					
FIXED ASSETS	2,710	379	1,649	1,644	1,041
EMPLOYMENT					
Total Payroll & Benefits*	12,742	10,857	19,721	17,574	19,400
Total Number of Employees*	589	417	682	1,207	1,463
INCOME AND RELATED DATA					
Sales	32,320	28,600	48,287	53,871	64,285
Earnings (Loss) from Continuing					
Operations before Income Taxes	523	(426)	(1,155)	3,404	4,581
Earnings (Loss) from Discontinued					
Operations before Income Taxes	(775)	(2,344)	(12,298)	(1,926)	—
Equity Earnings from Investments	—	—	532	780	—
Earnings (Loss) before Income Taxes	(252)	(2,770)	(12,921)	2,258	4,581
Income Taxes (Recovery)	(103)	36	(4,335)	831	2,281
Earnings (Loss) before Extraordinary Items	(149)	(2,806)	(8,586)	1,427	2,300
Extraordinary Items	1,057	(811)	71	764	(203)
Earnings (Loss) for the Year	908	(3,617)	(8,515)	2,191	2,097
Depreciation	460	451	850	750	753
Interest on Long Term Debt	474	495	506	968	982
Other Interest	322	295	2,092	922	1,162
Earnings (Loss) as % of Sales					
Continuing Operations	.8	(1.6)	(1.4)	3.4	3.6
Discontinued Operations	(1.3)	(8.2)	(17.5)	(2.2)	—
Equity Earnings from Investments	—	—	1.1	1.4	—
Before Extraordinary Items	(.5)	(9.8)	(17.8)	2.6	3.6
After Extraordinary Items	2.8	(12.6)	(17.6)	4.0	3.3
Earnings (Loss) per Share**					
Continuing Operations	14¢	(24¢)	(36¢)	\$1.02	\$1.35
Discontinued Operations	(22¢)	(\$1.23)	(\$4.43)	(66¢)	—
Equity Earnings from Investments	—	—	28¢	43¢	—
Before Extraordinary Items	(8¢)	(\$1.47)	(\$4.51)	79¢	\$1.35
After Extraordinary Items	48¢	(\$1.90)	(\$4.47)	\$1.22	\$1.23
Cash Flow per Share**†					
Continuing Operations	51¢	(2¢)	59¢	\$1.26	\$2.77
Discontinued Operations	(35¢)	(64¢)	(\$3.73)	(49¢)	—
Equity Earnings from Investments	—	—	28¢	43¢	—
Before Extraordinary Items	16¢	(66¢)	(\$2.86)	\$1.20	\$2.77
After Extraordinary Items	28¢	(\$1.09)	(\$2.82)	\$1.66	\$2.65

†Including current portion of Deferred Income Taxes

*Excluding employees of affiliated companies

**Based on 1,902,495 Common Shares outstanding at December 31, 1978 (1975 – 1,802,495; 1974 and prior – 1,702,495)

DIRECTORS

J. Leslie Bodie, *Bermuda*

Bryan A. Ellis, *Vancouver*

A. John Fisher, *Toronto*

David L. Helliwell, *Vancouver*

Hugh A. Magee, *Vancouver*

John W. Poole, *Vancouver*

Mervyn G. Schweitzer, *Vancouver*

C. R. Mallory Smith, *Vancouver*

OFFICERS

Hugh A. Magee,
Chairman & Chief Executive Officer

Mervyn G. Schweitzer,
President & Chief Operating Officer

George B. Bogdanow, *Vice-President*

D. Scott Kennedy, *Vice-President*

Thomas M. Pytel, *Vice-President*

William E. Allen, *Secretary*

SUBSIDIARIES

Atlas Construction & Crane Service Ltd.,
Edmonton and Calgary

Great West Steel Industries Inc.,
Seattle

Super Crane & Rigging (1978) Ltd.,
Burnaby

AFFILIATES

GWS and Shell Limited, U.K.

EXECUTIVE OFFICES

2600 Oceanic Plaza,
1066 West Hastings Street,
Vancouver, B.C.

REGISTERED OFFICE

1800-700 West Georgia Street,
Vancouver, B.C.

STOCK LISTINGS

Toronto, Montreal and Vancouver
Stock Exchanges

BANKERS

The Toronto-Dominion Bank

AUDITORS

Arthur Andersen & Co.
Chartered Accountants

TRANSFER AGENTS & REGISTRARS

For common shares, preference shares and
share purchase warrants:

The Canada Trust Company,
Vancouver, Toronto, Edmonton,
Regina, Winnipeg, Montreal

For debentures:

The Royal Trust Company,
Vancouver, Edmonton, Toronto,
Montreal

**Great West Steel
Industries Ltd.**

